

**NORTHWEST KANSAS  
TECHNICAL COLLEGE**

**Goodland, Kansas**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
June 30, 2014**

# NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

## Table of Contents

	<b>Page Number</b>
<b>Board Members</b>	i
<b>Independent Auditor's Report</b>	ii
<b>Management's Discussion and Analysis</b>	1
<b>Basic Financial Statements:</b>	
Statement of Net Assets	8
Statement of Revenues, Expenses, and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to Financial Statements	12
<b>Combining Statements for Major Funds</b>	
Statement of Net Assets	24
Statement of Revenues, Expenses and Changes in Net Assets	25
Statement of Cash Flows	26
Schedule of Expenses by Function and Object	27
<b>Federal Awards Section:</b>	
Schedule of Expenditures of Federal Awards	28
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	30
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	32
Schedule of Findings and Questioned Costs	34
Prior Year Schedule of Findings and Questioned Costs	35

# NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

## AREA BOARD OF CONTROL

### Officers

Frank Otter  
Bruce Buck  
Paul Bruggeman  
Dan Wasson  
Richard "Dick" Short

Chairman  
Vice-Chairman  
Secretary  
Treasurer  
Assistant Treasurer

### Committee Chairmen

Chris Schmidt  
Clair L. Legere  
Carol Laws  
Giovani Cassi  
Billi Beckman  
Randy Balluch

Buildings and Grounds Co-Chair  
Buildings and Grounds Co-Chair  
Curriculum  
Faculty  
Public Relations  
Student Welfare

## AREA ADVISORY BOARD

Ed Ackerman  
Randy Balluch  
Billi Beckman  
Jane Brubaker  
Paul Bruggeman  
Bruce Buck  
Tom Button  
Giovani Cassi  
Myra Douthit  
Mark Davis  
Mark Hanson  
Matt Lampe  
Carol Laws

Clair L. Legere  
Greg Martin  
Gary Morgan  
Frank Otter  
Todd Schmidt  
Chris Schmidt  
Sheila Selensky  
Richard "Dick" Short  
Theresa Sieck  
Alan Suter  
Dan Wasson  
Omar Weber

## PRESIDENT

Dr. Ed Mills

President

## INDEPENDENT AUDITOR'S REPORT

Northwest Kansas Technical College  
Goodland, Kansas

### Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and component unit of Northwest Kansas Technical College, Goodland, Kansas as of and for the year ended June 30, 2014 and the related notes to the financial statement.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statements in accordance accounting principles generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective net position of the business activities of Northwest Kansas Technical College, Goodland, Kansas, as of June 30, 2014 and the respective changes in the financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*.

### Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Management's discussion and analysis on pages 4 through 9 and is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of

### ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the net position of the business activities, major funds and aggregate remaining information of the College (basic financial statement) as a whole. The required supplementary information which includes the combining schedule of major funds for net position, schedule of revenues, expenses and changes in net position and cash flows for the year ended June 30, 2014 (as listed in the table of contents) are presented for analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The schedules listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole.

### ***Other reporting required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2015, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Agler & Gaeddert Chartered  
January 20, 2015

## **MANAGEMENT DISCUSSION AND ANALYSIS**

**NORTHWEST KANSAS TECHNICAL COLLEGE**  
**Management's Discussion and Analysis (MD&A)**

**June 30, 2014**

**INTRODUCTION**

Our discussion and analysis of Northwest Kansas Technical College (College) financial performance provides an overview of the College's financial activities for the fiscal year ended June 30, 2014. Since this management's discussion and analysis is designed to focus on current activities, resulting change and currently known facts, it should be read in conjunction with the College's financial statements, which follow this section.

**USING THIS ANNUAL REPORT**

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999; and GASB Statement No. 37, *Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001. This financial statement format (implemented in the fiscal year ended June 30, 2004) focuses on the College as a whole.

The financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus on the Statement of Net Assets is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources (short-term spendable resources) with capital assets. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on both the gross costs and the net costs of College activities, which are supported substantially by state aid, state and federal grants, student tuition and fees and auxiliary enterprises revenues. This approach is intended to summarize and simplify the user's analysis of the cost of various College services to students and the public.

**FINANCIAL HIGHLIGHTS**

- ❑ Total net assets were \$12,497,158 at June 30, 2014. This was a decrease of \$156,633 (1.2%) over the prior year. This decrease was primarily due to college efforts to expand program services, which required additional personnel and other related expenses to support enrollment growth goals.
- ❑ Overall revenues were \$7,434,926 which fell short of expenses of \$7,591,559 by \$156,633.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the College. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-wide financial statements**, which comprise the first three statements, provide both short-term and long-term information about the entity's overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of the College operations in more detail. The fund financial statements are presented as required supplemental information.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of supplementary information that further explains and supports the financial statements.

**NORTHWEST KANSAS TECHNICAL COLLEGE**  
**Management's Discussion and Analysis (MD&A)**

**June 30, 2014**

**Government-Wide Statements**

The government-wide statements report information about the College as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the College's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the College's net assets and how they have changed. Net assets, the difference between the assets and liabilities, are one way to measure the College's financial health or position.

- ❑ Over time, increases or decreases in the College's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- ❑ To assess the overall health of the College, one needs to consider additional non-financial factors such as changes in enrollment, changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the College include all activities. The College's basic services are included here, such as regular education, food service, housing, maintenance, and general administration. Tuition, state aid and federal and state grants finance most of these activities.

**Fund Financial Statements**

- ❑ The fund financial statements provide more detailed information about the College's most significant funds -- not the College as a whole. Funds are accounting devices that the College uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law. The Area Board of Control establishes other funds to control and manage money for particular purposes or to show that the College is meeting legal responsibilities for using certain revenues.



**NORTHWEST KANSAS TECHNICAL COLLEGE**  
**Management's Discussion and Analysis (MD&A)**

**June 30, 2014**

**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

**Net Assets** - The College's combined net assets were \$12,497,158 at June 30, 2014. See Table 1.

Table 1 - Net Position

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and demand deposits	\$ 783,796	\$ 241,181	\$ 182,386
Time deposits	5,375,410	6,795,315	5,834,222
Cash in agency funds	4,170	11,886	10,666
Cash & cash equivalents	<u>6,163,376</u>	<u>7,048,382</u>	<u>6,027,274</u>
Accounts receivable, net	284,976	272,447	236,722
Accounts receivable, other	4,783	3,162	0
Prepaid insurance	0	145,079	134,152
Inventories	<u>227,960</u>	<u>308,480</u>	<u>341,038</u>
Total other current assets	<u>517,719</u>	<u>729,168</u>	<u>711,912</u>
Total current assets	<u>6,681,095</u>	<u>7,777,550</u>	<u>6,739,186</u>
<b>NONCURRENT ASSETS</b>			
Construction in progress	0	469,227	0
Capital assets, net	<u>7,411,727</u>	<u>6,367,179</u>	<u>6,631,444</u>
Total noncurrent assets	<u>7,411,727</u>	<u>6,836,406</u>	<u>6,631,444</u>
Total assets	<u>\$ 14,092,822</u>	<u>\$ 14,613,956</u>	<u>\$ 13,370,630</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Deposits	\$ 16,400	\$ 20,000	\$ 46,500
Accounts payable and accrued liabilities	31,800	129,709	46,707
Due to agencies	6,780	15,048	10,666
Due to club accounts	8,347	13,982	21,689
KBOR Infrastructure Loan	54,568	54,568	54,568
Capital Lease	132,703	216,611	68,636
Deferred revenue	<u>55,220</u>	<u>33,132</u>	<u>21,254</u>
Total current liabilities	<u>305,818</u>	<u>483,050</u>	<u>270,020</u>
<b>LONG-TERM LIABILITIES</b>			
KBOR Infrastructure Loan	66,850	121,418	175,985
Capital Lease	<u>1,222,996</u>	<u>1,355,698</u>	<u>72,308</u>
Total long term liabilities	<u>1,289,846</u>	<u>1,477,116</u>	<u>248,293</u>
Total liabilities	<u>\$ 1,595,664</u>	<u>\$ 1,960,166</u>	<u>\$ 518,313</u>
<b>NET POSITION</b>			
Invested in capital assets	\$ 7,411,727	5,088,111	6,631,444
Unrestricted - unassigned	<u>5,085,431</u>	<u>7,565,679</u>	<u>6,220,873</u>
Total net assets	<u>\$ 12,497,158</u>	<u>\$ 12,653,790</u>	<u>\$ 12,852,317</u>

This schedule is prepared from the College's Statement of Net Assets, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated

**NORTHWEST KANSAS TECHNICAL COLLEGE**  
**Management's Discussion and Analysis (MD&A)**

**June 30, 2014**

**Changes in Net Assets**

The College's total revenues were \$7,434,926. A majority of the revenue comes from state aid (39.4%). Federal and state grants and contracts accounted for another 5.4% of total revenues.

The total cost of all programs and services was \$7,591,559.

The College's expenses are predominately related to educating and caring for students (60.1%). Administrative activities accounted for just 11.5% of total costs. The remaining expenses were for operation of plant (maintenance and operations), cost of sales and depreciation.

Table 2 - Changes in Net Assets

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues			
Student tuition and fees	\$ 2,254,406	\$ 2,050,125	\$ 1,769,212
Charges for services	1,763,156	2,041,599	1,915,359
Operating grants & contributions	25	257	200
General revenues			
State appropriations	2,926,972	2,869,962	2,726,915
Federal grants	403,699	318,286	418,378
State and local grants	33,192	596	1,395
Transfers in	0	0	26,500
Investment income	12,385	22,907	44,142
Gain (loss) on asset dispositions	41,091	(5,317)	(46,427)
Total revenues	<u>7,434,926</u>	<u>7,298,415</u>	<u>6,855,674</u>
Program Expenses			
Administrative	875,062	1,031,929	1,017,872
Instruction	2,291,202	2,151,434	2,221,765
Academic support	4,403	38,816	33,003
Operation of plant	1,257,549	1,048,590	944,709
Cost of sales & services	432,428	604,081	557,675
Student activities	2,265,030	2,174,515	1,857,659
Depreciation	433,885	447,579	478,985
Transfers out	32,000	0	44,002
Total Expenses	<u>7,591,559</u>	<u>7,496,944</u>	<u>7,155,670</u>
Increase (decrease) in net position	<u>\$ (156,633)</u>	<u>\$ (198,529)</u>	<u>\$ (299,996)</u>

There are currently no other known facts, decisions or conditions that will have a significant effect on the financial position (net assets) or results of operations (revenues, expenses, and changes in net assets).

**FINANCIAL HIGHLIGHTS**

As the College completed the year, its operating fund reported a net asset balance of \$8,805,038, which was an increase of \$1,146,157 from last year's ending fund balance of \$7,658,881. The asset increase is mainly due to the completion of the new academic and athletic facility. Tuition and state appropriations are the primary source of funding for the College's academic programs. During the FY'14 there was an increase of \$57,010 in state appropriations through SB 155 and the college had an increase tuition of \$204,281 over 2013 to help support increasing expenditures.

**NORTHWEST KANSAS TECHNICAL COLLEGE**  
**Management's Discussion and Analysis (MD&A)**

**June 30, 2014**

**Operating Fund Budgetary Highlights**

Over the course of the year, the College revises its annual budget to reflect unexpected changes in revenues and expenditures.

**CAPITAL ASSETS**

At June 30, 2014, the College had an investment net of depreciation of \$7,411,727 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles. See Table below for more details. More detailed information about the College's capital assets is presented in the notes to the financial statements.

Table 3 - Capital assets

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land improvements	\$ 311,747	\$ 311,747	\$ 305,227
Building improvements	10,626,452	9,213,745	9,645,262
Furniture and equipment	<u>2,932,151</u>	<u>3,337,179</u>	<u>2,744,033</u>
	<u>13,870,350</u>	<u>12,862,671</u>	<u>12,694,522</u>
Total accumulated depreciation	<u>6,458,623</u>	<u>6,495,492</u>	<u>6,063,078</u>
	<u>\$ 7,411,727</u>	<u>\$ 6,367,179</u>	<u>\$ 6,631,444</u>

The College's board approved a revision to the Capital Assets Policy during the prior year regular board meeting. For FY'12 and future years, the definition of a capital asset will be an asset with an initial unit cost of \$2,500 or more instead of the previous cost of \$500.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

At the time these financial statements were prepared and audited, the College was aware of several circumstances that could affect its future financial health:

- Enrollment growth continues to be identified as the number one goal/priority for the college. Enrollment has increased 15% over the past three years. Continued growth and the quality of educational offerings are of utmost importance to the college. During the 2011 legislative session, the Kansas Technical Education Authority and Kansas Board of Regents proposed tiered cost model was approved as the new funding method for two-year colleges. The new formula is enrollment based, so the college is diligently working to build enrollment. Due to the potential impact of the new funding model for several colleges, the current methodology for funding has been to keep each institution flat with any new state dollars being distributed to institutions with the largest underfunded gap first. The model percentages were revised during FY'14, which lowered the projected dollars needed to fund the model, but the fact remains that it is still underfunded. The state has supported technical education through the SB 155 program. This program allows the college to expand enrollment and provide excellent educational opportunities for high school students.
- The fall of 2014 overall enrollment headcount increased over the previous year. The college was able to expand the SB 155 program enrollment significantly, which will help support budget expenses; however, the fall 2014 full-time headcount was down compared to a year ago, which will provide challenges on funding the budget. College personnel continue to develop strategies to build full-time enrollment. Currently, recruiting efforts for FY'16 reflect a positive trend.

**NORTHWEST KANSAS TECHNICAL COLLEGE**  
**Management's Discussion and Analysis (MD&A)**

**June 30, 2014**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - continued**

- The college implemented a flat rate tuition and fee schedule for FY'15. This has provided the opportunity for students to expand their experiences and knowledge at the college with additional coursework for one flat rate. Another positive to this change is that it has provided better communication to students, parents and the general public of the actual costs. The college continues to review expenditures and services closely and looks to find efficiencies to help keep costs reasonable.
- The college believes seeking federal, state, and local grants will prove essential to its future funding needs for expansion of current programs and to start new programs; therefore, the college has personnel assigned to dedicate time to pursuing grant opportunities.

The college remains financially healthy by careful utilization of funds and close management of all financial accounts. The college has minimal indebtedness.

**CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, Kansas Board of Regents, taxpayers, parents, participants, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. For further information please contact Dr. Guy E. Mills, President, and P.O. Box 668, Goodland, Kansas.

## **FINANCIAL STATEMENTS**

**NORTHWEST KANSAS TECHNICAL COLLEGE**

Goodland, Kansas

## Statement of Net Assets

June 30, 2014

	<u>Educational Services</u>	<u>Endowment Association</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and demand deposits	\$ 783,796	\$ 153,211
Time deposits	5,375,410	0
Cash in agency funds	4,170	0
Cash & cash equivalents	<u>6,163,376</u>	<u>153,211</u>
Accounts receivable, net	284,976	0
Accounts receivable other	4,783	0
Accrued income	0	7,039
Inventories	<u>227,960</u>	<u>0</u>
Total other current assets	<u>517,719</u>	<u>7,039</u>
Total current assets	6,681,095	160,250
<b>NONCURRENT ASSETS</b>		
Investments	0	625,924
Capital assets, net	<u>7,411,727</u>	<u>11,656</u>
Total assets	<u>\$ 14,092,822</u>	<u>\$ 797,830</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Deposits	\$ 16,400	\$ 0
Accounts payable and accrued liabilities	31,800	0
Due to agencies and others	6,780	0
Due to club accounts	8,347	0
KBOR Infrastructure Loan	54,568	0
Capital Lease	132,703	0
Deferred revenue	<u>55,220</u>	<u>0</u>
Total current liabilities	<u>\$ 305,818</u>	<u>\$ 0</u>
<b>LONG-TERM LIABILITIES</b>		
KBOR Infrastructure Loan	\$ 66,850	\$ 0
Capital Lease	<u>1,222,996</u>	<u>0</u>
Total long term liabilities	<u>\$ 1,289,846</u>	<u>\$ 0</u>
<b>NET ASSETS</b>		
Invested in capital assets	\$ 7,411,727	\$ 11,656
Restricted for		
Nonexpendable		
Scholarships and fellowships	0	196,877
Expendable		
Scholarships and fellowships	0	158,822
Unrestricted - unassigned	<u>5,085,431</u>	<u>430,475</u>
Total net assets	<u>\$ 12,497,158</u>	<u>\$ 797,830</u>

The accompanying notes are an integral part of this statement.

**NORTHWEST KANSAS TECHNICAL COLLEGE**

Goodland, Kansas

Statement of Revenues, Expenses, and Changes in Net Assets  
For the Year Ended June 30, 2014

	<u>Educational Services</u>	<u>Endowment Association</u>
<b>REVENUES</b>		
Operating Revenues		
Student tuition and fees	\$ 2,254,406	\$ 0
Sales and services of educational departments	771,478	0
Residential life	574,845	0
Student Center	416,833	0
Gifts and Contributions	25	178,139
Fund raising events	0	167,094
	<u>4,017,587</u>	<u>345,233</u>
Total operating revenues		
	<u>4,017,587</u>	<u>345,233</u>
<b>EXPENSES</b>		
Operating Expenses		
Administration	875,062	105,536
Instruction	2,291,202	0
Academic support	4,403	0
Operation of plant	1,257,549	0
Financial aid	0	513,433
Cost of sales and services of educational departments	432,428	0
Student activities	2,265,030	0
Depreciation	433,885	0
	<u>7,559,559</u>	<u>618,969</u>
Total operating expenses		
	<u>7,559,559</u>	<u>618,969</u>
Operating income (loss)	<u>(3,541,972)</u>	<u>(273,736)</u>
	<u>(3,541,972)</u>	<u>(273,736)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	2,926,972	0
Federal grants	403,699	0
State and local grants and contributions	33,192	0
Transfer from Endowment	0	0
Transfers to Endowment	(32,000)	32,000
Farm income	0	7,374
Investment income	12,385	17,959
Unrealized appreciation (depreciation) on investments	0	36,410
Gain (loss) on asset dispositions	41,091	(28,900)
	<u>3,385,339</u>	<u>64,843</u>
Net nonoperating revenues		
	<u>3,385,339</u>	<u>64,843</u>
Increase (Decrease) in net assets	<u>(156,633)</u>	<u>(208,893)</u>
	<u>(156,633)</u>	<u>(208,893)</u>
<b>NET ASSETS</b>		
Net assets - beginning of year	<u>12,653,791</u>	<u>1,006,723</u>
	<u>12,653,791</u>	<u>1,006,723</u>
Net assets - end of year	<u>\$ 12,497,158</u>	<u>\$ 797,830</u>
	<u>\$ 12,497,158</u>	<u>\$ 797,830</u>

The accompanying notes are an integral part of this statement.

# NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

## Statement of Cash Flows For the Year Ended June 30, 2014

	<u>Educational Services</u>	<u>Endowment Association</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 2,254,406	\$ 0
Residential life	571,245	0
Sales and services of educational departments	825,624	0
Auxiliary enterprises charges	416,833	0
Gifts and contributions	25	185,513
Fundraising Events	0	167,094
Payments to employees	(4,173,948)	0
Payments to vendors	(2,884,147)	(105,536)
Payments for financial aid	0	(513,433)
	<u>(2,989,962)</u>	<u>(266,362)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	2,926,972	0
Federal and State Grants	436,891	0
Interfund Transfers	(32,000)	32,000
	<u>3,331,863</u>	<u>32,000</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(1,526,463)	(16,744)
Proceeds from Capital Asset Dispositions	89,123	7,510
Disposition of Capital Assets	469,227	0
Capital Lease Repayments	(216,610)	0
KBOR Infrastructure Loan Repayment	(54,568)	0
	<u>(1,239,291)</u>	<u>(9,234)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	12,385	18,176
	<u>12,385</u>	<u>18,176</u>
Net increase (decrease) in cash	(885,005)	(225,420)
Cash - beginning of the year	7,048,381	378,631
Cash - end of year	\$ <u><u>6,163,376</u></u>	\$ <u><u>153,211</u></u>
<b>REFLECTED ON STATEMENT OF NET ASSETS:</b>		
Cash and demand deposits	\$ 783,796	\$ 153,211
Time deposits	5,375,410	0
Cash in agency funds	4,170	0
	\$ <u><u>6,163,376</u></u>	\$ <u><u>153,211</u></u>

The accompanying notes are an integral part of this statement.



**NORTHWEST KANSAS TECHNICAL COLLEGE**

Goodland, Kansas

**Statement of Cash Flows**  
**For the Year Ended June 30, 2014**

	<b><u>Educational Services</u></b>	<b><u>Endowment Association</u></b>
<b>Reconciliation of net operating Income (loss) to net cash provided (used) by operating activities</b>		
Operating income (loss)	\$ (3,541,972)	\$ (273,736)
Adjustments to reconcile net income (loss) to net cash:		
Depreciation expense	433,885	0
Change in assets and liabilities:		
Receivables, net	(14,150)	0
Prepaid insurance	145,079	0
Inventories	80,520	0
Deferred revenue	18,488	7,374
Accounts payable	<u>(111,812)</u>	<u>0</u>
	\$ <u><u>(2,989,962)</u></u>	\$ <u><u>(266,362)</u></u>

The accompanying notes are an integral part of this statement.

# NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2014

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northwest Kansas Technical College (College), Goodland, Kansas, a member institution of the Kansas Board of Regents system, provides a range of educational programs to meet the needs of the adult population of northwest Kansas. Included in this range of programs are technical and occupational associate degree, diploma and certificate curricula consistent with the needs of employers in the College's service area. The College also provides various developmental education programs, support services and offering to assist students in meeting their personal and professional educational objectives.

The College was established in 1964 under the Kansas Statutes Annotated 72-4401 *et seq.* A nine member Area Board of Control, which is elected from the twenty-five member advisory board, is the College's ruling body, which establishes the policies and procedures by which the College is governed. Advisory board members are representatives from each unified school district within the geographical area served by the College.

### A. Reporting Entity

The area board of control is the basic level of government, which has oversight responsibility and control over all activities related to providing educational services to students. The board receives funding from federal and state government source entities and must comply with the concomitant requirements of these funding source entities. However, the board is not included in any other governmental "reporting entity", as defined by the Governmental Accounting Standards Board pronouncement, since board members are appointed by each respective public school board and have decision making authority, the power to designate management, the ability to significantly influence operations, and have primary accountability for fiscal matters.

The college has implemented Governmental Accounting Standards Board (GASB) Statement Number 39, *Determining Whether Certain Organizations are Component Units*. This pronouncement provides guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component unit the Northwest Kansas Technical College Endowment Association (the Association).

The Association is a legally separate, tax-exempt component unit of the College. The Association acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 25-member board of the Association is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Association, the majority of resources, or income thereon, which the association holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Association can only be used by, or for the benefit of, the College, the Association is considered a component unit of the College. The Association is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Association is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board (FASB) Statements. Most significant to the Association's operation and reporting model are FASB Statement 116, Accounting for Contributions Received and Contributions Made, and FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are difference from GASB revenue recognition criteria and presentation features. No modifications have been made to the Association's financial information in the College's financial reporting entity for these differences; however significant note disclosures (See Note O) to the Association's financial statements have been incorporated into the College's notes to the financial statements. Financial statements for the Association can be obtained by calling the Association at 785-890-3641.

# NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

Notes to Financial Statements

June 30, 2014

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial statements – and Management's Discussion and Analysis, for State and Local Governments*, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued in June and November, 1999 and Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The financial statement presentation required by GASB Statements No. 34, 35 and 37 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets and cash flows. Accordingly for financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Consequently, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency and intra-fund transactions have been eliminated.

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as needed.

Fund types and major funds consist of the following:

#### *Governmental funds*

The College has no governmental funds.

#### *Proprietary funds*

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to students. These activities are financed primarily by tuition and/or state and federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the College's activities as an enterprise fund.

Non-exchange transactions, in which the College receives value without directly giving equal value in return, includes; federal, state, and local grants; state appropriations, and other contributions. On an accrual basis, revenue from grants, state appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

The accounting policies of the College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The College's reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to the current year presentation. The following is a summary of the more significant policies.

# **NORTHWEST KANSAS TECHNICAL COLLEGE**

Goodland, Kansas

## **Notes to Financial Statements**

June 30, 2014

### **I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **C. Cash and Cash Equivalents**

Cash includes deposits held at local financial institutions plus small amounts maintained for change funds. Cash equivalents include certificates of deposit with maturities of twenty-four months or less.

#### **D. Accounts Receivable**

Accounts receivable, primarily student accounts for books, fees and tuition, are considered to be fully collectible. Any account deemed to be uncollectible is charged to expense when such determination is made.

Student accounts receivable are recorded in the student revolving fund, but the underlying revenue may be attributable to the operating, student center or housing funds. Inter fund receivable and payable balances result from the time lag between the dates the transactions are recorded in the accounting system and payments between funds are made.

#### **E. Inventories and Prepaid Items**

Inventories consist primarily of items held for resale by the bookstore, cafeteria food and the carpentry department house in progress. Cost is determined by the retail cost method for the bookstore and first-in/first-out cost method for the cafeteria. The carpentry department house in progress is stated at accumulated cost. The bookstore and cafeteria costs are recorded as expenses as the inventory is consumed. The carpentry house cost is recorded as expense when the house is sold. Certain payments to vendors reflect costs applicable to future periods. Such payments, in the accompanying financial statements, are recorded as prepaid items and reflected as other assets.

#### **F. Deferred Revenues and Deposits**

Deferred revenues include: (1) amounts received for tuition and fees prior to the end of the fiscal year that are related to the subsequent fiscal year; and (2) amounts received from contract sponsors that have not been earned.

Deposits represent miscellaneous security deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned or when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

#### **G. Net Position**

GASB Statement No. 34 reports equity as "Net Position" rather than "fund balance". Net Position is classified according to external donor restrictions or availability of assets for satisfaction of College obligations. The College's net assets are classified as follows:

Net investment in capital assets represents the College's total investment in capital assets, net of accumulated depreciation.

Restricted net position – expendable – This includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first; then unrestricted resources when they are needed. Nonexpendable restricted net position consists of endowed scholarships and fellowships for which the corpus can not be expended.

Unrestricted net position – This includes resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

**NORTHWEST KANSAS TECHNICAL COLLEGE**  
Goodland, Kansas

Notes to Financial Statements  
June 30, 2014

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Capital Assets**

Capital assets include property, plant equipment, and infrastructure assets, such as parking lots and sidewalks. The College defines capital assets as assets with an initial unit cost of \$2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the College are depreciated using the straight-line method over the following useful lives:

Building and Improvements	30-50 years
Land Improvements	15-25 years
Furniture and Equipment	5-20 years
Vehicles	5 years
Computer technology	3 years

**I. Classification of Revenues**

The College has classified its revenues as either Operating or Non-Operating. Operating revenues include activities that have the characteristics of exchange transactions, such as (a) student tuition and fees, and (b) sales and services of auxiliary enterprises, net of scholarship discounts and allowances. Non-operating revenue includes activities that have the characteristics of non-exchange transactions such as (a) state appropriations (b) most federal, state, and local grants and contracts and federal appropriations, and (c) gifts and contributions.

**J. Federal Financial Assistance Programs**

The College participates in federally funded Pell Grant, SEOG Grant, Federal Work-Study, and Federal Family Education Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 *Audit of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

**K. Financial Aid**

Financial aid to students is reported in the basic financial statements under the alternative method as prescribed by the National Association of College and University Business Offices (NACUBO). Certain aid, such as loans and funds provided to students as awarded by third parties, is accounted for as a third party payment (credited to the student's account as if the student made the payment).

**L. Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from those estimates.

**M. Compensated Absences**

It is the College's policy to permit employees to accumulate earned but unused vacation and sick pay. Classified employees forfeit any unused vacation at year-end or when employees separate from service.

# **NORTHWEST KANSAS TECHNICAL COLLEGE**

Goodland, Kansas

## **Notes to Financial Statements**

June 30, 2014

### **1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **M. Compensated Absences (continued)**

Unused sick pay may be accumulated to a maximum of 55 days. Unused sick pay is forfeited when employees separate from service. Certified employees forfeit any unused vacation pay at year-end or when employees separate from service but are allowed to accumulate a maximum of fifty-five days sick leave. There is no liability for unpaid accumulated sick leave since the College does not have a policy to pay any amounts when employees separate from services. The estimated amount of accumulated but unused sick pay for classified and certified employees totaled \$250,695 at June 30, 2014.

#### **N. Budget**

In accordance with Kansas statutes, the College has prepared an annual operating budget for submission to the Kansas Board of Regents. The budget establishes the amount of post secondary aid to be received. The budget sets the level for expenditures at the fund level. As the amount of post secondary aid is established by formula, the budget is advisory only and is not legally binding. The operating budget is prepared on the cash basis of accounting. The Board of Regents did not require a budget to be submitted this fiscal year.

#### **O. Component Unit**

The Association maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

**Permanently Restricted Net Position** – Net position subject to donor-imposed stipulations that the Association permanently maintains the assets. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

**Temporarily Restricted Net Position** – Net position subject to donor-imposed stipulations that will be met by actions of the Association and/or passage of time.

**Unrestricted Undesignated Net Position** – Net position not subject to donor-imposed restrictions.

**Unrestricted Designated Net Position** – Net position not subject to donor-imposed restrictions but subject to Association Board imposed stipulations.

Revenues are reported as increases in unrestricted net assets classification unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in kind gifts from outside sources are not recorded in the Association's financial records, but are accounted for and acknowledged separately.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

#### **P. Non-cash Transactions**

During the year ended June 30, 2014 the College received donation of land and building which have been valued at \$30,000. These donations have been reported as income for the current year.

**NORTHWEST KANSAS TECHNICAL COLLEGE**  
Goodland, Kansas

Notes to Financial Statements  
June 30, 2014

**2. DEPOSITS AND INVESTMENTS**

As of June 30, 2014, the College had investments in certificates of deposit only.

K.S.A. 9-1401 establishes the depositories which may be used by the College. The statutes requires banks eligible to hold the College's funds have a main or branch in the county in which the College is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The College has no other policies that would further limit interest risk.

K.S.A. 12-1675 limits the College's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions: U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the State Municipal Investment Pool. The College has no investment policy that would further limit its investment choices.

*Concentration of credit risk;* State statutes place no limit on the amount the College may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The College's allocation of investments as of June 30, 2014 was 100% in certificates of deposit.

*Custodial credit risk -- deposits.* Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned to it. State statutes require the College's deposits in financial institution to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The College's did not have any designated peak periods for the current year. All deposits were legally secured at June 30, 2014.

At June 30, 2014 the College's carrying amount of deposits \$6,163,37(which includes amounts maintained for cashier's change funds and petty cash totaling \$500) and the bank balance was \$6,426,382. The difference between carrying amounts and bank balances represents primarily checks that have not cleared the bank and deposits in transit. The balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$600,000 was covered by federal deposit insurance and \$5,826,382 was collateralized with securities held by the pledging financial institution's agent in the College's name.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments be adequately secured.

At June 30, 2014 the Endowment Association's carrying amount of deposits \$153,211and the bank balance was \$161,703. The difference between carrying amounts and bank balances represents primarily checks that have not cleared the bank and deposits in transit. The balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$161,703 was covered by federal deposit insurance.

Investments of the Endowment Association are as follows:

The Endowment Association determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance-sheet date. Debt securities are classified as held-to-maturity when the Association has the positive intent and ability to hold the securities to maturity. Debt securities for which the Association does not have the intent or ability to hold to maturity are classified as available-for-sale. Held-to-maturity securities are recorded as either short-term or long-term on the balance sheet, based on contractual maturity date and are stated at amortized cost. Marketable securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized as earnings. Debt and marketable equity securities not classified as held-to-maturity or as trading, are classified as available-for-sale, and are carried at fair market value, with the unrealized gains and losses, included in the determination of changes in net assets.

**NORTHWEST KANSAS TECHNICAL COLLEGE**  
Goodland, Kansas

Notes to Financial Statements  
June 30, 2014

**2. DEPOSITS AND INVESTMENTS – continued**

Investments are carried at fair value on the statements of net position. Fair value is determined using quoted prices in active markets for identical assets (Level 1). Available-for-sale securities at June 30, 2014 were made up of the following types of securities:

Level 1	2014				
	Cost	Fair Value	Gross Unrealized Gain/(Loss)	Rating	Amount
Bonds					
Municipal				AA	289,707
	650,516	625,924	(24,592)	A	336,217
	<u>\$ 650,516</u>	<u>\$ 625,924</u>	<u>\$ (24,592)</u>		<u>\$ 625,924</u>
		2014			
Sales Proceeds		<u>\$ 7,510</u>			
		2014			
		<u>Estimated</u>			
		<u>Fair Value</u>			
Due in 6-10 years		<u>\$ 166,130</u>			
Due after 10 years		<u>459,795</u>			
Total Investments		<u>\$ 625,925</u>			

**3. PENSION PLANS**

**Kansas Public Employees Retirement System**

*Plan Description* – The College participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS' provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas' law establishes and amends benefit provisions. KPERS' issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

*Funding Policy* – K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employee in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 5% covered salary for Tier 1 members and 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

The State of Kansas is required to contribute the statutory required employers share.

**Early Retirement Supplement Plan**

*Plan Description* – The College maintains a single-employer, defined benefit early retirement supplement plan (ERSP) for qualifying faculty. The Board has authority to set benefit provisions, funding policy for the plan and terminate the plan at any time. Should the plan be terminated, a grandfather provision exists for employees currently receiving benefits.



**NORTHWEST KANSAS TECHNICAL COLLEGE**  
Goodland, Kansas

Notes to Financial Statements  
June 30, 2014

**3. PENSION PLANS - continued**

**Early Retirement Supplement Plan - continued**

Certified personnel retiring or leaving in good standing from the College at age sixty, who qualify for KPERS without a reduction in benefits, will be awarded a one-time retirement supplement ranging from \$500 to \$2,000 based on years of service. In addition full-time certified personnel retiring after twenty years of service, who qualify for KPERS without a reduction in benefits, will be awarded benefits equal to ten percent of the employee's last annual contracted salary per full year until the employee reaches age sixty-five or is eligible for Medicare insurance.

*Funding Policy* – Benefits from this program are fully paid by the College and are funded on a pay as you go basis. Under this method, payments for benefits are recognized as expense when paid. The number of retirees currently receiving benefits is six and the number of active employees who are eligible to receive these benefits was six at June 30, 2014. The expense for supplemental retirement benefits for the year ended June 30, 2014 was \$29,016.

Projected benefits for the next three years are as follows:

Year ended:	One-time Supplement	Retirement Supplement	Total
June 30, 2015	\$ 0	\$ 19,573	\$ 19,573
June 30, 2016	0	10,847	10,847
June 30, 2017	0	0	0
	<u>\$ 0</u>	<u>\$ 30,420</u>	<u>\$ 30,420</u>

**4. RELATED PARTY TRANSACTIONS**

The College transferred \$32,000 to the Association for the year ended June 30, 2014.

College personnel perform the Association's administrative activities on College premises. The value of these activities and the use of the College premises to perform these activities have not been determined.

The Association had the following transactions with the College during the year ended June 30, 2014: 1) paid the College \$4,526 for reimbursement of fund raising expenses paid by the College, 2) reimbursed the College \$940 for farm insurance (532), legal/accounting fees (25), miscellaneous expenses (383) and 3) transferred tax credits in the amount of \$30,858.

**5. POST EMPLOYMENT BENEFITS**

As provided by Kansas statutes the College allows retired employees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retiree because each participant is charged a level of premium regardless of age. However the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) the College makes health care benefits available to eligible former employees and their dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured. There is no cost to the College under this program.

**NORTHWEST KANSAS TECHNICAL COLLEGE**  
Goodland, Kansas

Notes to Financial Statements  
June 30, 2014

**6. CAPITAL ASSETS - see following table**

College	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b>Capital Assets</b>				
Land	\$ 209,096	\$ 0	\$ 0	\$ 209,096
Building	4,790,893	1,463,265	50,558	6,203,600
Building remodel	1,428,623	0	0	1,428,623
Campus	628,520	0	0	628,520
Equipment	2,642,477	31,516	373,200	2,300,793
Furniture	91,615	0	2,955	88,660
Parking	50,663	0	0	50,663
SC Building	113,837	0	0	113,837
SC Building Remodel	723,940	0	0	723,940
SC Equipment	87,463	2,700	27,744	62,419
SC Furniture	2,239	0	0	2,239
Vehicles	426,588	28,983	55,824	399,747
VV Buildings	944,535	0	0	944,535
VV Equipment	39,394	0	8,504	30,890
VV Furniture	47,403	0	0	47,403
VV Parking	51,988	0	0	51,988
VV2 Building	583,397	0	0	583,397
<b>Total costs</b>	<b>12,862,671</b>	<b>1,526,464</b>	<b>518,785</b>	<b>13,870,350</b>
<b>Less Accumulated Depreciation</b>				
Land	0	0	0	0
Building	1,923,185	95,650	17,137	2,001,698
Building remodel	552,345	56,932	0	609,277
Campus	565,967	0	0	565,967
Equipment	1,929,494	161,236	370,642	1,720,088
Furniture	42,359	9,410	2,955	48,814
Parking	22,399	4,436	0	26,835
SC Building	84,012	2,049	0	86,061
SC Building Remodel	319,727	28,105	0	347,832
SC Equipment	70,230	5,673	27,744	48,159
SC Furniture	2,015	0	0	2,015
Vehicles	290,141	30,532	44,102	276,571
VV Buildings	353,956	22,861	0	376,817
VV Equipment	29,802	2,895	8,174	24,523
VV Furniture	47,404	0	0	47,404
VV Parking	46,113	979	0	47,092
VV2 Building	216,343	13,126	0	229,470
<b>Total accumulated depreciation</b>	<b>6,495,492</b>	<b>433,884</b>	<b>470,754</b>	<b>6,458,623</b>
<b>Net Capital Assets</b>	<b>\$ 6,367,179</b>	<b>\$ 1,092,580</b>	<b>\$ 48,031</b>	<b>\$ 7,411,727</b>
<b>Construction in progress</b>	<b>\$ 469,227</b>	<b>\$ 0</b>	<b>\$ 469,227</b>	<b>\$ 0</b>
<b>Endowment Association</b>				
Farm land - beneficial interest	\$ 11,656	\$ 0	\$ 0	\$ 11,656

**NORTHWEST KANSAS TECHNICAL COLLEGE**  
Goodland, Kansas

Notes to Financial Statements  
June 30, 2014

**7. CONTINGENCIES AND COMMITMENTS**

The College is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of College management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position at June 30, 2014.

Federal Financial Aid – Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, primarily the federal government. Any disallowed costs, including amounts already collected, may constitute a liability of the College. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although College management expects such amounts, if any, to be immaterial.

State Funding – Approximately 40% of the College's resources come from the State of Kansas. Due to continued funding uncertainties at the State level, future funding for the College may be reduced. The ultimate effect of this possible reduction in funding on the College's future operations is not yet determinable.

**8. RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were not significant reductions in insurance coverage from coverage in prior years.

**9. INTERFUND TRANSFERS**

Interfund transfers are used to move revenues from the fund that collects receipts to the fund that spends them. In the year ended June 30, 2014, the College made the following transfers between funds.

Transfer From:	Transfer to			
	Operating	Student Center	Endowment	Total
Facilities	\$ 1,169,434	\$ 100,000	\$ 0	\$ 1,269,434
Student Revolving	8,091	0	32,000	40,091
	<u>\$ 1,177,525</u>	<u>\$ 100,000</u>	<u>\$ 32,000</u>	<u>\$ 1,309,525</u>

**10. ENDOWMENT ASSOCIATION CONTRIBUTION**

In 2005, the College approved contributing up to \$100,000 per year from the housing fund to the Endowment Association for student scholarships. Seventy percent of the contribution will be added to permanently restricted net assets until Endowment Association net assets total \$1,000,000. The remaining contribution may be used for current scholarships or added to unrestricted net assets. During the year ended June 30, 2014 the College transferred \$32,000 to the Endowment Association.

**11. KBOR INFRASTRUCTURE LOAN PAYABLE**

The College executed a loan agreement with the Kansas Board of Regents acting on behalf of the State of Kansas for the financing of infrastructure improvement project costs. The loan, not to exceed \$338,280, which bears no interest, but carried a .25% management fee, is to be retired in annual installments of one eighth of the total loan amounts on or before December 1 of each year. No lien or other security interest is granted to the Kansas Board of Regents or the State of Kansas but the college is obligated to budget sufficient funds to make payments pursuant to this loan agreement. A summary of loan payable activity follows:

**NORTHWEST KANSAS TECHNICAL COLLEGE**

Goodland, Kansas

## Notes to Financial Statements

June 30, 2014

**12. KBOR INFRASTRUCTURE LOAN PAYABLE**

	Beginning	Additions	Payments	Ending
KBOR Loan	\$ <u>175,986</u>	\$ <u>0</u>	\$ <u>54,568</u>	\$ <u>121,418</u>

Maturities of the loan balance are as follows:

2015	\$ 54,568
2016	54,568
2017	<u>12,282</u>
\$	<u>121,418</u>

**13. CAPITAL LEASES**

The College has entered into a capital lease with a local bank for the purpose of building of the Sport Center. As of year ended June 30, 2014 the Sports Center is under construction with a cost of \$469,227. Under the terms of the lease the College has pledged a certificate of deposit in the amount of \$1,500,000 as security to the bank.

The lease has a rate of 3.14% with a total amount of \$1,500,000 and is payable in annual installments of \$175,272 including interest. The lease calls for a residual buyout of the property for \$1 at the end of the lease.

	Beginning	Additions	Payments	Ending
Loan 4/5/2013	\$ <u>1,500,000</u>	\$ <u>0</u>	\$ <u>144,301</u>	\$ <u>1,355,699</u>

	Principal	Interest
2015	132,703	42,569
2016	136,868	38,402
2017	141,074	34,198
2018	145,597	29,675
2019	150,169	25,103
2020	154,884	20,388
2021	159,705	15,567
2022	164,762	10,509
2023	<u>169,937</u>	<u>5,335</u>
\$	<u>1,355,699</u>	<u>221,746</u>

**14. SUBSEQUENT EVENTS**

The entity evaluated subsequent events through January 20, 2015, the date the financial statement were available to be issued. No subsequent events were identified.

## REQUIRED SUPPLEMENTAL INFORMATION

# NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

## Combining Statement for Major Funds Statement of Net Assets June 30, 2014

	<u>Operating</u>	<u>Student Revolving</u>	<u>Student Center</u>	<u>Facilities</u>	<u>Housing</u>	<u>Total</u>
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and demand deposits	\$ 161,281	\$ 508,981	\$ 75,045	\$ 7,212	\$ 31,277	\$ 783,796
Time deposits	2,709,245	837,346	651,310	595,940	581,569	5,375,410
Cash in agency funds	4,170	0	0	0	0	4,170
Cash & cash equivalents	<u>2,874,696</u>	<u>1,346,327</u>	<u>726,355</u>	<u>603,152</u>	<u>612,846</u>	<u>6,163,376</u>
Accounts receivable, net	0	284,976	0	0	0	284,976
Accounts receivable other	2,610	0	2,173	0	0	4,783
Inventories	0	0	227,960	0	0	227,960
Total other current assets	<u>2,610</u>	<u>284,976</u>	<u>284,976</u>	<u>0</u>	<u>0</u>	<u>517,719</u>
Total current assets	2,877,306	1,631,303	1,011,331	603,152	612,846	6,681,095
<b>NONCURRENT ASSETS</b>						
Capital assets, net	<u>6,060,449</u>	<u>0</u>	<u>418,369</u>	<u>0</u>	<u>932,909</u>	<u>7,411,727</u>
Total assets	<u>\$ 8,937,755</u>	<u>\$ 1,631,303</u>	<u>\$ 1,429,700</u>	<u>\$ 603,152</u>	<u>\$ 1,545,755</u>	<u>\$ 14,092,822</u>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Deposits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,400	\$ 16,400
Accounts payable and accrued liabilities	4,519	2,174	14	24,832	261	31,800
Due to agency funds	6,780	0	0	0	0	6,780
Due to club accounts	0	8,347	0	0	0	8,347
KBOR Infrastructure Loan	54,568	0	0	0	0	54,568
Capital Lease	0	0	0	132,703	0	132,703
Deferred revenue	<u>0</u>	<u>55,220</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>55,220</u>
Total current liabilities	<u>\$ 65,867</u>	<u>\$ 65,741</u>	<u>\$ 14</u>	<u>\$ 157,535</u>	<u>\$ 16,661</u>	<u>\$ 305,818</u>
<b>LONG-TERM LIABILITIES</b>						
KBOR Infrastructure Loan	\$ 66,850	\$ 0	\$ 0	\$ 0	\$ 0	\$ 66,850
Capital Lease	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,222,996</u>	<u>0</u>	<u>1,222,996</u>
Total long term liabilities	<u>\$ 66,850</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,222,996</u>	<u>\$ 0</u>	<u>\$ 1,289,846</u>
<b>NET ASSETS</b>						
Invested in capital assets	\$ 6,060,449	\$ 0	\$ 418,369	\$ 0	\$ 932,909	\$ 7,411,727
Unrestricted	<u>2,744,589</u>	<u>1,565,562</u>	<u>956,474</u>	<u>(777,379)</u>	<u>596,185</u>	<u>5,085,431</u>
Total net assets	<u>\$ 8,805,038</u>	<u>\$ 1,565,562</u>	<u>\$ 1,374,843</u>	<u>\$ (777,379)</u>	<u>\$ 1,529,094</u>	<u>\$ 12,497,158</u>

See Independent Auditor's Report.

# NORTHWEST KANSAS TECHNICAL COLLEGE

Goodland, Kansas

## Combining Statement for Major Funds Statement of Revenues, Expenses, and Changes in Net Assets For the Year Ended June 30, 2014

	<u>Operating</u>	<u>Student Revolving</u>	<u>Student Center</u>	<u>Facilities</u>	<u>Housing</u>	<u>Total</u>
<b>REVENUES</b>						
Operating Revenues						
Student tuition and fees	\$ 2,096,942	\$ 147,608	\$ 9,856	\$ 0	\$ 0	\$ 2,254,406
Sales and services of educational departments	1,291	770,141	46	0	0	771,478
Residential life	0	0	313,046	0	261,799	574,845
Bookstore	0	0	416,833	0	0	416,833
Other operating revenues	0	25	0	0	0	25
Total operating revenues	<u>2,098,233</u>	<u>917,774</u>	<u>739,781</u>	<u>0</u>	<u>261,799</u>	<u>4,017,587</u>
<b>EXPENSES</b>						
Operating Expenses						
Administration	875,062	0	0	0	0	875,062
Instruction	2,291,202	0	0	0	0	2,291,202
Academic support	4,403	0	0	0	0	4,403
Operation of plant	644,045	26,974	233,060	77,597	275,873	1,257,549
Cost of sales and services of educational departments	0	432,428	0	0	0	432,428
Student activities	1,333,538	333,289	598,203	0	0	2,265,030
Depreciation	358,196	0	35,827	0	39,862	433,885
Total operating expenses	<u>5,506,446</u>	<u>792,691</u>	<u>867,090</u>	<u>77,597</u>	<u>315,735</u>	<u>7,559,559</u>
Operating income (loss)	<u>(3,408,213)</u>	<u>125,083</u>	<u>(127,309)</u>	<u>(77,597)</u>	<u>(53,936)</u>	<u>(3,541,972)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
State appropriations	2,926,972	0	0	0	0	2,926,972
Federal grants	403,699	0	0	0	0	403,699
State and local grants	0	33,192	0	0	0	33,192
Transfer of Funds	1,177,525	(8,091)	100,000	(1,269,434)	0	0
Transfer to Endowment	0	(32,000)	0	0	0	(32,000)
Investment income	4,753	2,438	2,363	1,679	1,152	12,385
(Loss) on asset dispositions	41,420	0	0	0	(329)	41,091
Net nonoperating revenues	<u>4,554,369</u>	<u>(4,461)</u>	<u>102,363</u>	<u>(1,267,755)</u>	<u>823</u>	<u>3,385,339</u>
Increase (decrease) in net assets	<u>1,146,156</u>	<u>120,622</u>	<u>(24,946)</u>	<u>(1,345,352)</u>	<u>(53,113)</u>	<u>(156,633)</u>
<b>NET ASSETS</b>						
Net assets - beginning of year	<u>7,658,882</u>	<u>1,444,940</u>	<u>1,399,789</u>	<u>567,973</u>	<u>1,582,207</u>	<u>12,653,791</u>
Net assets - end of year	<u>\$ 8,805,038</u>	<u>\$ 1,565,562</u>	<u>\$ 1,374,843</u>	<u>\$ (777,379)</u>	<u>\$ 1,529,094</u>	<u>\$ 12,497,158</u>

See Independent Auditor's Report.

**NORTHWEST KANSAS TECHNICAL COLLEGE**

Goodland, Kansas

Combining Statement for Major Funds

Statement of Cash Flows

For the Year Ended June 30, 2014

	<u>Operating</u>	<u>Student Revolving</u>	<u>Student Center</u>	<u>Facilities</u>	<u>Housing</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Tuition and fees	\$ 2,096,942	\$ 147,608	\$ 9,856	\$ 0	\$ 0	\$ 2,254,406
Residential life	0	0	313,046	0	258,199	571,245
Sales and services of educational departments	33,349	792,229	46	0	0	825,624
Auxiliary enterprises charges	0	0	416,833	0	0	416,833
Other receipts	0	25	0	0	0	25
Payments to employees	(3,859,088)	(26,974)	(233,060)	0	(54,826)	(4,173,948)
Payments to vendors	<u>(1,185,675)</u>	<u>(807,362)</u>	<u>(613,854)</u>	<u>(66,514)</u>	<u>(210,742)</u>	<u>(2,884,147)</u>
Net cash provided (used) by operating activities	<u>(2,914,472)</u>	<u>105,526</u>	<u>(107,133)</u>	<u>(66,514)</u>	<u>(7,369)</u>	<u>(2,989,962)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
State appropriations	2,926,972	0	0	0	0	2,926,972
Federal and State grants	403,699	33,192	0	0	0	436,891
Interfund Transfers	<u>1,177,525</u>	<u>(40,091)</u>	<u>100,000</u>	<u>(1,269,434)</u>	<u>0</u>	<u>(32,000)</u>
Net cash provided (used) by noncapital financing activities	<u>4,508,196</u>	<u>(6,899)</u>	<u>100,000</u>	<u>(1,269,434)</u>	<u>0</u>	<u>3,331,863</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>						
Purchase of capital assets	(1,523,763)	0	(2,700)	0	0	(1,526,463)
Proceeds from Capital Assets Dispositions	89,123	0	0	0	0	89,123
Disposition of Capital Assets	0	0	0	415,548	53,679	469,227
Capital Lease Proceeds	0	0	0	0	0	0
Capital Lease Repayments	(72,309)			(144,301)		(216,610)
KBOR Infrastructure Loan Repayment	<u>(54,568)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(54,568)</u>
Net cash (used) by capital financing activities	<u>(1,561,517)</u>	<u>0</u>	<u>(2,700)</u>	<u>271,247</u>	<u>53,679</u>	<u>(1,239,291)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest on investments	<u>4,753</u>	<u>2,438</u>	<u>2,363</u>	<u>1,679</u>	<u>1,152</u>	<u>12,385</u>
Net cash provided by investing activities	<u>4,753</u>	<u>2,438</u>	<u>2,363</u>	<u>1,679</u>	<u>1,152</u>	<u>12,385</u>
Net increase (decrease) in cash	36,960	101,065	(7,470)	(1,063,022)	47,462	(885,005)
Cash - beginning of the year	<u>2,837,735</u>	<u>1,245,262</u>	<u>733,826</u>	<u>1,666,174</u>	<u>565,384</u>	<u>7,048,381</u>
Cash - end of year	<u>\$ 2,874,695</u>	<u>\$ 1,346,327</u>	<u>\$ 726,356</u>	<u>\$ 603,152</u>	<u>\$ 612,846</u>	<u>\$ 6,163,376</u>
<b>Reconciliation of net operating Income (loss) to net cash provided (used) by operating activities</b>						
Operating income (loss)	\$ (3,408,213)	\$ 125,083	\$ (127,309)	\$ (77,597)	\$ (53,936)	\$ (3,541,972)
Adjustments to reconcile net income (loss) to net cash:						
Depreciation expense	358,196	0	35,827	0	39,862	433,885
Change in assets and liabilities:						
Receivables, net	32,058	(44,035)	(2,173)	0	0	(14,150)
Prepaid insurance	122,058	5,908	5,335	0	11,778	145,079
Inventories	0	0	80,520	0	0	80,520
Deferred revenue	0	22,088	0	0	(3,600)	18,488
Accounts payable	<u>(18,571)</u>	<u>(3,518)</u>	<u>(99,333)</u>	<u>11,083</u>	<u>(1,473)</u>	<u>(111,812)</u>
	<u>\$ (2,914,472)</u>	<u>\$ 105,526</u>	<u>\$ (107,133)</u>	<u>\$ (66,514)</u>	<u>\$ (7,369)</u>	<u>\$ (2,989,962)</u>

See Independent Auditor's Report.



**NORTHWEST KANSAS TECHNICAL COLLEGE**

Goodland, Kansas

Schedule of Management Information  
Schedule of Expenses by Function and Object  
For the Year Ended June 30, 2014

	<b>General</b>		<b>Academic</b>	<b>Operations</b>	<b>Student</b>	
	<b><u>Administration</u></b>	<b><u>Instruction</u></b>	<b><u>Support</u></b>	<b><u>of Plant</u></b>	<b><u>Activities</u></b>	<b><u>Total</u></b>
Salaries	\$ 297,793	\$ 1,760,445	\$ 2,700	\$ 142,030	\$ 931,272	\$ 3,134,240
Benefits	68,870	407,134	624	32,847	215,373	724,848
Services	16,492	97,497	150	7,866	51,576	173,581
Supplies	11,298	5,185	700	5,815	24,109	47,107
Utilities	0	0	0	310,679	0	310,679
Other	480,609	20,941	229	144,808	111,208	757,795
Depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>358,196</u>
Total	\$ <u>875,062</u>	\$ <u>2,291,202</u>	\$ <u>4,403</u>	\$ <u>644,045</u>	\$ <u>1,333,538</u>	\$ <u>5,506,446</u>

See Independent Auditor's Report.

**NORTHWEST KANSAS TECHNICAL COLLEGE**

Goodland, Kansas

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2014

Grant Title	Federal CFDA Number	Revenues	Expenditures
<b>U.S. Department of Education</b>			
Direct Programs			
Pell Grant Program	84.063	\$ 1,230,627	\$ 1,230,627
College Work Study	84.033	21,690	21,690
Federal Family Education Loan	84.032	1,727,379	1,727,379
Supplemental Educational Opportunity Grant	84.007	<u>12,000</u>	<u>12,000</u>
		<u>2,991,696</u>	<u>2,991,696</u>
Passed through Kansas Department of Education			
Carl D. Perkins Vocational	84.048	<u>164,033</u>	<u>164,033</u>
		<u>164,033</u>	<u>164,033</u>
Total Federal Assistance		\$ <u>3,155,729</u>	\$ <u>3,155,729</u>

Note 1: The above amounts are based upon the use of generally accepted accounting principles. This is the same basis used to report the financial information of the College.

See Independent Auditor's Report.

## **SPECIAL REPORTS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Area Board of Control  
Northwest Kansas Technical College  
Goodland, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Northwest Kansas Technical College as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Northwest Kansas Technical College financial statements, and have issued our report there on dated January 20, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Northwest Kansas Technical College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northwest Kansas Technical College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cyler & Goedert, Chartered*

Ottawa, Kansas  
January 20, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Area Board of Control  
Northwest Kansas Technical College  
Goodland, Kansas

**Report on Compliance for Each Major Federal Program**

We have audited the Northwest Kansas Technical College's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on Northwest Kansas Technical College's major federal programs for the year ended June 30, 2014. Northwest Kansas Technical College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a tests basis, evidence about College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

**Report on Internal Control over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of the testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Ogler & Sheddert, Chartered*

Ottawa, Kansas  
January 20, 2015

**NORTHWEST KANSAS TECHNICAL COLLEGE**

Goodland, Kansas

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014SUMMARY OF AUDITOR'S RESULTS**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting

Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses: None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified not considered to be material weaknesses: No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? No

## Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount</u>
84.007	Supplemental Educational Opportunity Grant	\$ 12,000
84.032	Federal Family Education Loans	1,230,627
84.033	College Work Study	21,690
84.063	Federal Pell Grant Program	1,727,379

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as a low-risk auditee? No



**NORTHWEST KANSAS TECHNICAL COLLEGE**  
Goodland, Kansas

***PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

June 30, 2014

**SIGNIFICANT DEFICIENCY**

U.S. Department of Education  
2013-1 STUDENT FINANCIAL AID CLUSTER #84.063 and #84.032

Questioned  
Costs

CONDITION: Our test of eligibility for financial aid programs noted in two student files that Northwest Kansas Technical College made an error in the calculation of the award amount.

\$3,024

CRITERIA: Accurate input of student information is required to ensure correct calculation of student aid.

CAUSE: Northwest Kansas Technical College did not have a procedure in place to verify accuracy of input in student aid calculation.

EFFECT: As a result of the above, our test results found out of forty files tested two (2) files where the students were over-awarded for financial aid. One student had AGI \$160 higher than what the ISIR showed, resulting in \$100 over award of PELL. Another student had an incorrect cost of attendance entered, resulting in \$2,924 over award of Unsubsidized Loans.

RESPONSE: Northwest Kansas Technical College financial aid staff practices concern and care during all aspects of the financial aid packaging, verifying, and awarding processes. The College has added additional financial staff to allow for additional checks and balances to ensure the upmost compliance with federal policies and regulations. Budgets and budget coding are annually reviewed and modified as deemed appropriate. Each student is assigned a budget code in our student software system based on their enrollment. Annual file audits and staff training is done to try and eliminate the potential for human error in assigning an incorrect budget code. Northwest Kansas Technical College staff appreciates the necessity for the verification process and works to be 100% accurate in making corrections when required. During the verification process, when possible, students and parents are encouraged to use the IRS data retrieval transfer to prevent human errors in data input, this practice will continue to be strongly encouraged.

FOLLOW-UP Based upon test for this year the above finding has been addressed.